

# SOMALIA

Table 1	2017
Population, million <sup>a</sup>	12.3
GDP, current US\$ billion	7.4
GDP per capita, current US\$	535
School enrollment, primary (% gross) <sup>b</sup>	42.0
Life expectancy at birth, years <sup>b</sup>	55.9

Sources: WDI, IMF, UNFPA and Macro Poverty Outlook.  
Notes:  
(a) 2013 Population estimates by UNFPA-Population estimation Survey (PESS) 2014.  
(b) Life expectancy for 2015 from WDI; UNICEF 2012.

Real GDP growth in 2017 weakened to 1.8 percent due to severe drought but it is expected to pick pace in 2018-19. Although Somalia averted widespread famine in 2017, the drought led to large-scale food insecurity, affecting more than 6 million people. Inflationary pressure increased due to drought. Exchange rate remains stable. Over half of the population lives in poverty and a large proportion is sensitive to negative shocks like the recent drought.

## Recent developments

Real GDP growth in 2017 weakened due to severe drought but it is expected to pick pace in 2018-2019. The IMF and the Bank have re-estimated Somalia's GDP with nominal GDP now estimated at \$7.4 billion in 2017. Real GDP growth declined to 1.8 percent in 2017 (from 2.4 percent in 2016) due to severe drought in 2017 and sporadic terrorist attacks. Economic activity is mainly anchored in agriculture and the services sector. The agriculture sector experienced near total collapse with crop failures, and a widespread shortage of water and pasture and increased livestock mortality.

Inflationary pressure increased in 2017 due to drought. Drought led to uptick in food prices with inflation rising from 1.3 percent in 2016 to 5.2 percent in 2017 (IMF, 2018). Crop prices significantly increased during the drought period, affecting households purchasing power particularly of the poor. The exchange rate remained stable at SoSH 23,605 to the dollar in 2017 due to steady remittances and donor inflows.

Implementation of fiscal policy improved significantly in 2017. Domestic revenue collection increased, achieving 103.2 percent of the 2017 budget target. The government implemented additional revenue measures in 2017 including sales tax on telecommunications and hotels amongst other revenue measures. Domestic revenue grew by 26.5 percent, from \$112.7 million in 2016 to \$142.6 million in 2017,

with trade taxes still contributing a lion's share. Donor grants execution rate increased from 50 percent in 2016 to 85 percent in 2017. Total revenue in 2018 is projected at \$274.6 million, with domestic revenue accounting for 57 percent.

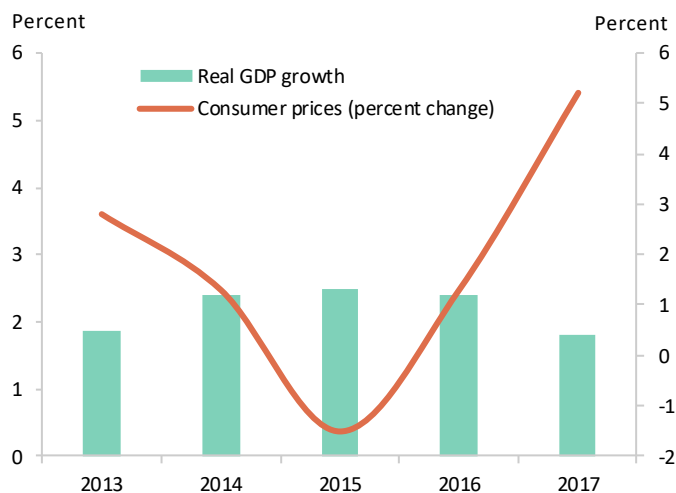
The drought worsened Somalia's external imbalance. Trade deficit worsened, induced mainly by a fall in livestock exports and increased food imports, from \$3.1 billion (46 percent of GDP) in 2016 to \$3.5 billion (51 percent of GDP) in 2017.

Poverty is widespread and large proportions of the population remain vulnerable to poverty and food insecurity. More than half of Somalis live in poverty according to the High Frequency Survey and the recent droughts triggered a humanitarian crisis and almost led to a famine. The prolonged drought, which was a result of several seasons of below average rains, left more than half of the country's population in need of urgent humanitarian assistance and an estimated 1.4 million children at risk of acute malnutrition. Agricultural and agropastoral livelihoods were significantly disrupted and new displacements were created while elevated prices negatively affected purchasing power. While Somalia averted famine thanks partly to the millions of US dollars in support from development partners, millions are still in need of humanitarian assistance.

## Outlook

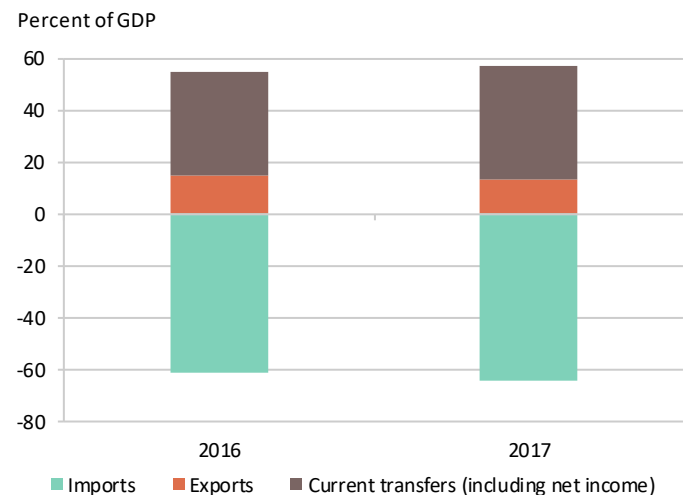
Real GDP growth is expected to pick up at 2.5 percent in 2018, increasing by

FIGURE 1 Somalia / Real GDP growth and inflation



Sources: Somalia Authorities and estimates by the International Monetary Fund and the World Bank.

FIGURE 2 Somalia / Trade balance



Sources: Somalia Authorities and estimates by the International Monetary Fund and the World Bank.

0.7 percentage points from 1.8 percent in 2017 (according to the IMF and World Bank forecasts). The economy is projected to grow at an average rate 2.8 percent in the next three years, driven by stronger domestic demand, remittances, and increasing donor inflows. The growth outlook of 2.8 percent is predicated on building the security gains so far achieved, continuing support of government programs by development partners, improving revenue collection, and a quick recovery of livestock exports from the effects of severe drought. Weak public capital investment remains a critical binding constraint as resources for investment, in particular revenue mobilization, remain weak. The outlook also presupposes that the livestock sector will recover from the effects of drought through a program of restocking. This is important not only for the livelihood recovery (through safety nets and provision of basic services) but is also for livestock exports which is important for forex earnings.

On the policy side, Somalia continues to build a track record of reforms under the

IMF Staff Monitored Program (SMP). The second review of the 2nd SMP (May 2017–April 2018) is expected in May 2018. Indications are that the authorities have so far demonstrated a broad satisfactory performance by: embarking on improved revenue mobilization and better expenditure management; developing a currency reform roadmap; and drafting a roadmap for the financial sector development.

## Risks and challenges

Insecurity in the country continue to pose significant risk to economic activity in the medium term. The government continue to push forward its priority agenda of diminishing the capabilities of Al Shabaab and secure Somalia as a base of economy recovery. The FGS is restructuring its security forces to improve security in Mogadishu and working with Federal member states to enhance stability across the country.

Weather-related shocks continue to pose a major risk. Continued humanitarian needs

are likely to persist as the population and economy regain their footing. The Deyr rainy season in the fourth quarter of 2017 and the January harvest brought some relief. However, this may be short-lived should the April to June 2018 Gu season not bring adequate rains. Pastoral families may face significant challenges in restoring their wellbeing as the loss of livestock represents a significant loss in livelihoods and assets. Populations in areas affected by the drought are highly vulnerable to deteriorating health and nutritional conditions. Building resilience to shocks at the national and household level and providing greater access to basic services and social safety nets would be critical to reducing vulnerability over the medium term. More equitable access to quality education and health services, infrastructure and social protection programs, customized to a highly fragile context, will help reduce poverty and inequality.

**TABLE 2** Somalia / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2015	2016	2017 e	2018 f	2019 f	2020 f
<b>Real GDP growth, at constant market prices</b>	2.5	2.4	1.8	2.5	2.8	3.1
Private Consumption (% of GDP)	132.0	132.8	..	..	..	..
Government Consumption (% of GDP)	4.7	5.2	..	..	..	..
Gross Fixed Capital Investment (% of GDP)	7.8	8.2	..	..	..	..
Exports, Goods and Services (% of GDP)	15.4	14.8	13.4	13.9	14.3	14.1
Imports, Goods and Services (% of GDP)	59.9	61.0	64.0	59.7	58.8	58.0
<b>Inflation (Consumer Price Index)</b>	-1.5	1.3	5.2	2.8	2.6	2.6
<b>Current Account Balance (% of GDP)</b>	-4.7	-6.3	-6.7	-7.2	-6.5	-6.3

Sources: World Bank (2018) and IMF (2018).  
Notes: e = estimate, f = forecast.